

Bursa down in line with Asian markets

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Investors adopt wait-and-see approach ahead of GE14

By INTAN FARHANA ZAINUL
intanzainul@thestar.com.my

PETALING JAYA: The local stock market took a beating yesterday as polling day for the 14th general election (GE14) edged closer and investors took a wait-and-see approach.

The weakness in the local market was also in line with the overall weak performance of key Asian markets amidst a steep rise in the US dollar, which rose to its highest point all year.

This came about ahead of the United States Federal Reserve's (Fed) decision on the future pace of its interest rate hikes.

Other developments include receding fears of trade wars between China and the US, and the Brent crude oil price's continued improvement, trading at US\$73.35 per barrel yesterday.

The FBM KLCI shed 25 points in early morning trade and closed 18.34 points lower to 1,852.03 yesterday, which made it the worst-performing index in the region.

Losers thumped gainers by a huge margin, with over 500 counters down while 311 counters finished the day higher.

Maxis Bhd, CIMB Group Holdings Bhd and Axiata Group Bhd were the biggest drag on the index yesterday.

In Japan, the Nikkei 225 index finished 0.16% lower to 22,472.78, South Korea's Kospi index fell 0.39% to 2,505.61, and the Hong Kong Hang Seng declined by 0.27% to 30,723.88 yesterday.

Meanwhile, Singapore's Straits Times Index climbed slightly to 3,615 points while the Jakarta Composite Index jumped 0.29% to 6,012.24 points.

With GE14 around the corner, some analysts expect the local stock market to remain volatile and investors preferring to stay on the sidelines.

"In the past few weeks, the market has been choppy and we expect this to continue until the election is over," said an analyst.

The analyst pointed out that there were some profit-taking activities taking place, as the local equity market had touched its new high recently.

Maybank Investment Bank (IB) Research reckoned that daily trading activities would remain slow until polling day, which is slated for May 9.

"Daily trading activities slowed towards end-April and we expect this to persist in the run-up to the GE14 polling day," it said in a report.

The research house said the outcome of the election would see a knee-jerk reaction from the market. However, it maintained its target for the KLCI to end the year at 1,880 points.

Despite the uncertainties looming over the local stock market, foreign investors continue to be net buyers.

According to MIDF Research, foreign investors bought RM24.6mil net of Malaysian equities last week, marking its fourth week of inflows.

"It was the second-lowest weekly inflow so far this year.

"Global investors returned strongly to Malaysia on Friday, snapping up RM277.3mil net while the FBM KLCI was back above 1,860 points after two days of remaining below that level," MIDF said in a report.

Overall, in April, foreign investors were net buyers of Malaysian equities with RM1.5bil, bringing 2018 year-to-date net buys to RM3.5bil, said Maybank IB Research.

"Rising crude oil prices and pre-GE14 positioning were perhaps the draw to Malaysia in April, as foreigners were net sellers in Indonesia, the Philippines and Thailand."

The Asian market overall closed lower yesterday, ahead of the US Fed's decision on the future pace of its interest rate hikes.

Last year, the Fed raised its benchmark lending rate three times and for this year, another three rate hikes are expected.

The US dollar traded near a four-month high and the two-year US Treasury yield touched its highest level since 2008. The benchmark US 10-year Treasury yield maintained at 2.98%, after it soared to a four-year high of 3.035% last week.

The dollar index, which measures the greenback against six major currencies, climbed 3.43% to 92.43 in the last two weeks, its highest level since Dec 28, 2017.

The ringgit continued to weaken against the US dollar, falling more than 1.8% since the beginning of April to trade at RM3.93 to a dollar.